



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Doug Sutherland - Commissioner of Public Lands

Update on State Trust Land Exchanges

March, 2007

The state Department of Natural Resources' (DNR) land exchange program is designed to transition the state trusts out of lands that are isolated or have drawbacks for long-term management, and reposition the trusts into consolidated, sustainable landscapes that will improve forest management, increase revenue to the trust beneficiaries, enhance wildlife habitat, and provide additional recreational opportunities. Currently DNR is working on five land exchanges that help accomplish these objectives.

This update includes the status of each proposed exchange, the public input we heard, and answers to questions.



During November and December of 2006, DNR held eleven "Open House" informational meetings about these proposed exchanges. Meetings were held in Clarkston, Pasco, Wenatchee, Suncrest, Ellensburg, Goldendale, Colville, Okanogan, Everett, Hoquiam, and Longview. We also encouraged individuals and entities to send comments to us, including via e-mail.



DNR heard from more than 500 people across the state. To date, comments received for each exchange have been compiled and are summarized below. The comment period for the "Open House" phase ended January 1; but there will be opportunities to comment during the public hearing phase for each exchange. The schedule of the first public hearings and contact information is below.

Although DNR ultimately intends to move these parcels out of trust ownership, we continue to work with local governments, our exchange partners and interested groups to find other options to move the parcels to appropriate long-term ownership.

STATUS OF FIVE DNR EXCHANGES CURRENTLY UNDERWAY

Central Cascades Exchange

Contracts have been awarded to independent appraisers for the Central Cascades Exchange, and initial review of appraisal information is expected in March. Public hearings are tentatively scheduled in Olympia on April 18th, Wenatchee on April 24th, followed by Goldendale April 25th and Ellensburg on April 26th. As of this date, we anticipate presenting this transaction to the Board of Natural Resources for their review and decision at the monthly meeting in June or July.

Washington State Department of Fish & Wildlife Exchange

Appraisal contracts were awarded last month, and completed appraisals are expected by mid-summer. DNR staff continue to work through the exchange process and are currently involved with individual property reviews. Public hearings are likely in late summer or early fall.

South Stevens Exchange

DNR is in the property review stage for this exchange. This includes gathering background material for the appraisals—such as state and private title and timber cruise information. Appraisal contracts should be awarded by the end of March and we expect appraisals to be completed by the end of August. We anticipate holding public hearings in the summer of 2007, and taking this transaction to the Board of Natural Resources for their review and decision in the fall.

The Department has agreed to pull from exchange consideration several parcels near the Sinlahekin Wildlife Area (S65-69), and also is considering different alternatives for several other parcels. For example, a letter was received from Stevens County Fire District #1 stating their interest in the purchase of parcel S34. We are working with them to further evaluate their request. We also are working with Stevens County PUD #1 on a direct sale of parcel S-23 and a portion of parcel S-26.

Although lands proposed for this exchange are located in eleven counties, most of the feedback we have received has involved properties in the Suncrest area of Stevens County. In addition to DNR's "Open House," we participated in a "Town Hall" meeting February 8th at Lakeside Middle School, arranged by Stevens County Commissioner Tony Delgado to share additional information regarding the exchange process and alternatives for these parcels.

We will continue to work closely with the county, the Suncrest community and our exchange partners to consider other options for the proposed exchange parcels in Stevens County. Community input as well as our responsibility to the trust beneficiaries will be considered in making final recommendations for these parcels. The Clearwater Group, our exchange partner, also continues to be available to discuss concerns regarding this exchange and can be reached by email at: arlen@landexchange.com

West Ahtanum Exchange

The original time line for completing the West Ahtanum exchange has been adjusted. Appraisal bid solicitation began in February, and the contract is anticipated to be awarded in March. Timber cruising will begin as soon as the area is accessible after winter snows. A public hearing is projected for fall. Current timeline estimates are for presentation of the final proposal to the Board of Natural Resources by year end 2007.

North Fork Ahtanum Exchange

The North Fork Ahtanum is proceeding along the same timeline as the West Ahtanum project. The similarities of the two exchanges—size, location, and complexity—lead us to expect they will mirror each other in the speed with which they progress.

Here's what we heard

Public Input/Comments and Answers to General Exchange Questions

DNR received multiple questions regarding what the future management would be for the lands acquired for the trusts by DNR and those acquired by the exchange partners.

DNR uses the multiple use concept in state trust land management when it is consistent with the fiduciary and management obligations, is in the best interest of the state and the general welfare of the citizens. We expect to continue to manage the lands we receive in this exchange in the same manner. Management questions regarding properties going to exchange partners should be directed to the exchange partner. Contact is: Western Pacific Timber, Mr. Brian Disney, email: westernpacifictimberllc@msn.com, Clearwater Group, Mr. Arlen Olsen, email: arlen@landexchange.com, WDFW, Mr. Mark Quinn, 600 Capitol Way North,,P.O. Box 563, Olympia, WA 98501-1091

Several comments dealt with the exchange process, including how parcels were selected.

The Department's parcel selection criteria generally include any of the following conditions: parcels are isolated, not cost effective to manage, lack access, have a financial return not comparable to land asset value, and/or high conservation values or other public needs that are incompatible with our trust responsibilities.

Questions were received as to how land values are established, and if appraisals will be available to the public.

Appraisals are awarded to independent third party appraisers, and all land is appraised at fair market value. Appraisal data is exempt from public disclosure until the transaction is completed or three years after the appraisal is completed, in cases where the transaction never closes. These exemptions are in place to protect the interests of the trusts during the transactions. If those conditions have been met, the real estate data is available upon request through the public disclosure process.

We also were asked if we can restrict future development on lands to be exchanged out of trust ownership.

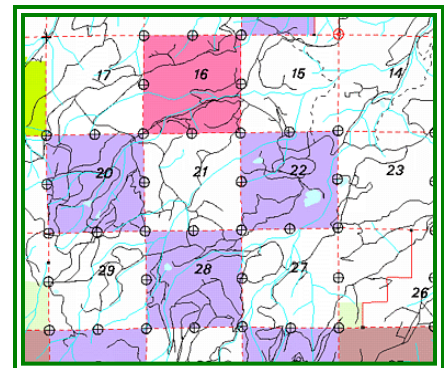
We do not restrict any rights on the exchange properties. Encumbering parcels by removing part of the rights would have an adverse effect on the appraised value. Growth Management Act and local zoning laws ultimately will dictate the development potential of the parcel.

Central Cascades Exchange — Public Input / Comments and Answers



environmental protection and recreation access.

Statewide support has been received for the Central Cascades Exchange, particularly regarding the consolidation of trust lands to create sustainable landscapes. Supportive comments reference the importance of moving from checkerboard to large blocks of contiguous ownerships, the ability to lower management costs, increase income to the trusts, and to provide increased opportunities for habitat,



The primary topics of concern regarding this exchange were:

Various groups and individuals had concerns regarding DNR moving trust ownership out of the four sections of trust lands in the Stemilt basin (Sec 16, 20, 22, 28 T21N, R20E). DNR recognizes the importance of these sections to the local community and is participating in discussions with Chelan

County officials, exchange partners and other interested parties to identify appropriate long-term ownership for the parcels, and strategies for transitioning to those ownerships.

DNR received several questions during the “Open House” in Klickitat County about recreation and hunting access.

DNR’s evaluation revealed that 84 percent of the trust parcels within Klickitat County that are proposed for inclusion in this exchange do not have legal public access. However, proposed parcels that DNR is moving the trust into do offer the potential for access to traditional recreation and hunting areas. Mr. Brian Disney at Western Pacific Timber has offered to discuss these issues with residents concerned about current or future land uses. You may reach him at email:

westernpacifictimberllc@msn.com



An additional concern was raised about the economic impact to Klickitat County as trust beneficiaries from the loss of state trust lands in the county.

The lands proposed for exchange in Klickitat County are Common School trust lands. Revenue from these trust lands go into the construction account to help build kindergarten through 12th grade public schools statewide. Repositioning these trust lands to more productive lands will increase revenue to the school construction account, including funding for schools in Klickitat County. In addition, exchange of these trust lands to private ownership will result in increased property tax revenue for the county.

Other concerns were about potential impacts to public access for all types of recreational opportunities, potential loss of bird and other habitat, and conservation issues in Pacific County. Several comments dealt with what type of environmental review is conducted on exchange parcels.

DNR believes legal access to trust lands for all types of recreational use will improve. A high ratio of the state properties proposed for exchange to private ownership do not have legal public access.

We are working closely with interest groups to address bird, habitat and conservation issues. Each parcel will be reviewed for environmental issues including but not limited to: sensitive species, plants, cultural resources, water, road management and abandonment planning (RMAP), and issues pertaining to DNR’s trust lands habitat conservation plan (HCP).

WDFW Exchange — Public Input / Comments and Answers



There is a broad base of support for repositioning the lands in this exchange—a large portion of the eastside central Cascades and adjacent lowlands. These parcels currently are a checkerboard of management by DNR and WDFW.

Numerous comments identify and support the benefits of this consolidation effort and resulting ability to manage lands more effectively to ensure long-term revenue for the trust beneficiaries, and enhance habitat protection and management for WDFW.

DNR and WDFW have received several comments concerning the potential impacts on cattlemen and others who currently lease state trust lands proposed for exchange.

DNR has received a commitment from WDFW to accept the leases that are in place on state trust lands. WDFW will offer a ten-year lease to those lessee’s regardless of the length of time left on the DNR-managed lease with the same conditions as their current lease.

In addition to the concerns regarding current trust land leases, “Open House” attendees and those submitting comments were interested in the process by which DNR and WDFW selected exchange parcels, and whether individuals and neighboring property owners could participate in the process.

DNR developed this proposed parcel list to eliminate checkerboard ownership between the two agencies, create sustainable landscapes, and put appropriate lands into the agency better suited for the landscape.

DNR will not have opportunities for individuals or neighboring property owners to participate in this exchange; however, there may be some exchange opportunities for transactions following completion of these exchanges. In the future, we would be happy to review any proposal an individual might offer for future consideration.

We were asked what the financial impact to the trust and county might be.

Because the trust lands proposed for exchange are predominately common school trust lands and provide revenue for construction of kindergarten through 12th grade public schools statewide, there should be no negative impact to the county trust beneficiaries. Repositioning these trust lands to more productive lands will increase long-term revenue to this school construction account, including for Klickitat County. In addition, because trust lands are not taxed, the proposed exchange of these trust lands to private ownership will also result in an increase in property tax revenue for the county. Where DNR is proposing to trade lands to WDFW, the affected counties also will receive PILT (payment in lieu of taxes) from WDFW on the transferred lands.

South Stevens — Public Input / Comments and Answers



This exchange has received wide-ranging support regarding statewide benefits for wildlife habitat and recreation. DNR also received numerous comments at the “Open House” meetings and by mail about concerns in southern Stevens County. **The majority of comments were about the loss of local recreational opportunities, possible future development with increased demands on community infrastructure, and questions about the exchange partner. We received comments about keeping the same acreage of state trust lands within Stevens County, negative impacts to the rural economy, and opportunities for the County to purchase**

property prior to the exchange.

DNR is working with all entities that have expressed an interest in acquiring properties proposed for exchange. The Clearwater Group, our exchange partner, is available to discuss post-exchange possibilities with the community as well.

To achieve cost-saving and operational efficiencies the Department is repositioning land assets across Washington to consolidate ownership of trust lands and diversify the portfolio for trust beneficiaries in order to provide long-term trust revenue.

West and North Fork Ahtanum Exchanges — Public Input / Comments and Answers

Overwhelming support has been received for these exchanges.

Most comments recognize that consolidating trust lands will enhance public access and support the continuation of historic recreational use for this area.

A concern was expressed about how these exchanges might affect recreational use of existing ORV trails and access to and from the Ahtanum State Forest and Forest Service trails adjacent to Forest Service property.

For many trails—for example the access to the Divide Ridge area where roads cross from state land to private ownership—the state has acquired management access. The public may use these roads if they are not closed by gate, blockade or signs. Public use of these roads has been allowed by cooperative agreement between the landowners and the Department of Fish and Wildlife with support from the Rocky Mountain Elk Foundation under the Green Dot road management program. This is voluntary and a landowner may restrict public use. There is a risk that a road and access to Forest Service trails could be restricted, but there is a greater risk of road closures under the current checkerboard ownership pattern.



Thank you for participating and for your input! DNR will fully review all comments received through the public outreach and public hearing process before the final parcel lists are assembled.

This first update was mailed to all that provided DNR with addresses at the “Open House” meetings or by mail. See future updates on our website: www.dnr.wa.gov. Click on ‘state trust land transactions.’ Updates will not be available by mail except by written request.

For additional information, contact Pamela Plancich, 360.902.1600 e-mail: exchanges@dnr.wa.gov, or mail to: Washington Department of Natural Resources, Asset Management & Protection Division, PO Box 47014, Olympia, WA 98504-7014